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ABSTRACT

Given the different economic policy approaches of the two candidates for the 2000 presidential election, Vice President Al Gore and Texas Governor George W. Bush, the Joint Center for Political and Economic Studies analyzed and assessed the plans put forth by both candidates, focusing on the expected impacts on African Americans. Six analyses were prepared as background for this summary document, covering each candidate's tax plans and Social Security, health care, education, and employment proposals. With regard to education, the most significant difference between the Bush and Gore plans is Bush's proposal to institute a federal voucher program. As structured in his current set of proposals, the federal program would focus on Title I students. States would be given 3 years to improve "low-performing" Title I schools, and if they did not make significant progress in closing the achievement gap, parents would be given the option of transferring the child to another public school or receiving an amount equivalent to the pro-rata share of Title I funds and an equal amount of state or local funds to enroll their child in a private school. The average value of this "voucher" is estimated to be about $1,500. Other proposals in the Bush education plan are based on approaches he used in Texas. The focus there, as in federal proposals, is on improving basic reading and mathematics literacy at the elementary level and strengthening programs in mathematics and science at the secondary level. Gore's education program will strengthen or expand programs that have been funded under the Clinton administration. Like Bush, Gore embraces school choice, but only within the public school system. The educational programs of both candidates are quite similar, unlike other areas of public policy. This similarity may result from the limits of federal policy in education rather than from the candidates' philosophies of government. The analyses of Social Security, health care, and employment proposals are included. (SLD)

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Economic Prospects for African Americans, 2001–2010: Politics and Promises

By Andrew F. Brimmer

ED 448 240

In the United States, the general economic environment and specific public policies are very important for the African American population because of its economic vulnerability. "Last hired and first fired" is a phrase that accurately reflects African Americans' place in the employment queue. Their lower incomes and higher poverty rates also leave them more reliant on government programs designed to alleviate economic hardship and improve individuals' work readiness. Consequently, the proposals that are being debated in this presidential election are likely to have disproportionate impact on the economic well-being of African Americans.

Given the implications of the different policy approaches of the two candidates, the Joint Center for Political and Economic Studies, with the assistance of several outside experts, completed a preliminary analysis of the presidential candidates' major plans in the economic area. The goals of this study were to analyze and assess the economic plans put forward by Vice President Al Gore and Governor George W. Bush for using the projected federal government budget surplus over the next 10 years. Special emphasis was put on the expected impact that key elements in the two plans may have on African Americans.

Six analyses were prepared as background for this summary document, covering each candidate's tax plans and Social Security, health care, education, and employment proposals. While primary emphasis was placed on the use of the surplus, major proposals in the same program area are covered in some of the papers. The individual papers (listed at the end of this summary) can be found on the Joint Center's website (www.jointcenter.org). This summary presents the proposed uses of the surplus, describes the overall impact of the tax plans on economic growth, and reviews the primary impact of the different program proposals. In some cases, a complete analysis was not possible because of the lack of detail in the candidates' proposals.

The Budget Surplus

The plans for use of the budget surplus are summarized in Chart I, attached. The chart shows the principal uses to which the surplus would be allocated under each candidate's plan. (For convenience, these uses are referred to as "programs.") Gore assumes that the surplus would amount to $4,651 billion over the 10-year period. The corresponding figure in the Bush plan is $4,758 billion. Underlying the plans are substantially different views with respect to the appropriate role for the federal

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government in the provision of public services and management of the economy. Gore visualizes an active and expanded government role, while Bush prefers a shrinking role and more reliance on the private market and on decisions by individual taxpayers.

In both plans, about half of the total surplus would be devoted to strengthening the Social Security System: for Gore, 51.3 percent and for Bush, 50.2 percent. However, the biggest program difference between them arises from the role of tax cuts. Gore would devote $480 billion (10.3 percent of the total) to targeted tax cuts. Bush would use $1,317 billion (27.7 percent) to fund an across-the-board tax reduction. Interest on the national debt would absorb $253 billion (5.4 percent) in the Gore plan compared with $313 billion (6.6 percent) in the Bush version.

Other striking differences relate to the approach to Medicare and the amounts that would be spent on such programs. Gore would leave the existing system essentially unchanged, and $360 billion (7.7 percent of the total surplus) would be used to underpin it. A Medicare prescription drug benefit would be added at an estimated cost of $340 billion (7.3 percent of the total). Another $75 billion (1.6 percent) would be used to help assure Medicare's solvency. In combination, the Gore Medicare programs would absorb $775 billion - equal to 16.6 percent of the total surplus.

In contrast, while Medicare under Gore would remain primarily a federal government directed program, Bush would transform it increasingly into a private-market-based system. Insurance companies and Health Maintenance Organizations (HMO's) would become progressively more important providers, and beneficiaries would have considerable freedom to choose among suppliers and types of coverage. Bush would introduce Medicare prescription drugs while reforming the system. For these purposes, he would use $158 billion of the surplus — or 3.3 percent of the total. Additional Medicare benefits would cost $40 billion (0.8 percent).

General Health Care would get similar amounts in both plans: $120 billion (2.6 percent) under Gore and $132 billion (2.8 percent) under Bush. However, the methods whereby the benefits would be provided would differ noticeably.

The amounts allocated to Education in the two plans would vary greatly. Gore would use $115 billion of the surplus (2.5 percent) to improve Education. Under the same heading, Bush would allocate only $48 billion (1.0 percent). Moreover, Bush would channel a major proportion of this amount to families through the adoption of a nation-wide student voucher program. On the other hand, Gore would provide the bulk of the added financial support for Education through the public school system. Gore would also increase funding for college expenses, adult and continuing education, and to aid workers just entering the labor force as well as to help experienced employees needing to acquire new skills that would equip them to compete in a high-tech economy.

Improving the Environment would continue to be a major goal for Gore. To this end, he would use $120 billion (2.6 percent) of the surplus. In the Bush plan, the Environment would have a much lower priority. He would devote only $5 billion (0.1 percent) to programs in this area.

National Security would get $100 billion (2.2 percent) of the surplus under Gore's plan. Most of this amount would go to strengthening conventional forces and weapons systems. Bush would allocate $45 billion (0.9 percent) to the military. Most of this would also go to conventional forces, but Bush would apparently spend somewhat more than Gore on a search for an anti-missile defense system.

Bush would use $47 billion (1.0 percent) for a variety of other purposes—including Charity, Agriculture, Housing, and other domestic programs.

Gore would hold $300 billion (6.5 percent) of the total surplus in a Reserve Fund. This would serve as a cushion in case the assumptions which underpin the surplus forecast turn out to be too optimistic. In the Bush plan, $265 billion (5.6 percent) is not allocated.

Implications of the Tax Alternatives

The most striking differences between the economic plans put forth by Vice President Al Gore and Governor George W. Bush relate to their tax proposals. In general, Bush would provide $2.70 of tax cuts for each $1.00 provided by Gore. Moreover, the forms in which tax relief would be provided vary greatly: Bush's goal is to give every taxpayer an actual tax cut, and the decision as to how to spend the proceeds would be left entirely to individuals and families. In contrast, Gore would provide assistance mainly to low- and middle-income families through tax credits linked principally to outlays for activities

such as education, training, savings and the environment.

While Governor Bush has put most emphasis on the size of his proposed across-the-board tax cut and its distribution mainly among middle class families, his results are primarily a by-product of the reforms in several aspects of the federal income tax system he is seeking to achieve. These include a significant widening of income ranges, a cut in the lowest tax rate, a merging of some separate rates, and a significant scaling back of the highest marginal tax rate. In contrast, Gore's plan does not call for any important changes in tax brackets or tax rates. Therefore, the existing Internal Revenue Services (IRS) tax tables can be used to evaluate the impact of the tax reforms proposed by Bush against the tax base on which Gore would build his more targeted set of tax incentives.

The current tax system consists of five (5) income ranges and marginal tax rates which rise steeply from 15.0 percent to 39.6 percent—equal to a multiple of 2.64 times. The income range for single taxpayers varies from $25,750 to $283,150—equal to a multiple of 11.0 times. The schedule for married couples varies slightly, with a relatively lower cap for the bottom income bracket ($43,050 or $21,525 per person). Consequently, the existing federal income tax schedule contains considerable progressiveness— which is derived from both income brackets and marginal tax rates. Translating, this means that the existing system is tilted slightly in favor of lower and middle-income taxpayers.

The income ranges and marginal tax rates proposed by Bush have the following configuration: the number of income tax brackets has been reduced from five to three, but the ranges have been widened considerably. Marginal tax rates have been scaled back from a range of 15.0-39.6 percent to 10.0-33.0 percent. The net result would be to render the tax rate schedule less progressive. If the Bush plan were adopted, the system would tilt slightly more of the tax burden toward the lower and middle-income taxpayers while lightening somewhat the impact on those in the highest segment of the income distribution.

The Gore and Bush tax plans would affect the average African American taxpayer quite differently from the way they would affect the population as a whole. This is principally due to the fact that the Bush plan is tilted toward upper income taxpayers while black taxpayers are concentrated mainly in low-income brackets. For example, in 1998, African American households paid 9.7 percent of all federal income taxes, but were 18.31 percent of total households with incomes below $20,000. In contrast, at the top of the income distribution ($100,000 and over), black taxpayers were only 4.64 percent of all taxpayers. (Chart II)

Further insights into the likely impact of the Gore and Bush tax plans on African Americans are provided by the cases of three four-member families with incomes of $30,000, $50,000, and $140,000. (The comparisons were prepared by a leading accounting firm.) First, in 1998, the mean income before taxes for blacks was $34,139. It was $51,855 for all households and $54,207 for whites. Therefore, the $30,000 case can be taken as a rough illustration of the probable impact of the two tax plans on African Americans. The $50,000 case provides a general estimate of the probable effect on the average family in the nation at-large.

A key feature of the Bush plan is a Second-Earner Deduction of $1,200 for a family with a $30,000 gross income. When this is combined with existing deductions that would be maintained and with the Bush plan's increased child credit and lower tax bracket, the taxpaying family at this income level would have a net tax savings of $718. The same family with a gross income of $30,000 under Gore's plan would have a higher standard deduction but would face the same tax rates and other deductions or credits. However, the Earned Income Tax Credit (EITC) would increase, resulting in a net tax saving of $841, compared to existing law.

As indicated above, Bush's plan is designed to give significant relief to middle-income taxpayers, and this result would be achieved for a family with a gross income of $50,000. Given the present personal exemption and standard deduction, as well as a $2,000 second-earner deduction, taxable income under Bush's plan would be shaved to $29,450, compared with $31,450 today and $30,000 in the Gore example. The Bush plan would tax income at a marginal rate of 25 percent v. 28 percent under Gore. Tax before tax credits would be $3,818 under Bush and $1,818 after allowing for the child credit of $2,000. The corresponding figures for Gore's plan would be $4,500 and $3,500, respectively.

Finally, for the family with a gross income of $140,000, after adjustments taxable income would be $97,800. This amount would be taxed at a marginal rate of 33 percent, which would produce a before-tax liability of $19,465. Deducting the child credit of $2,000 would leave a final tax of $17,465. This would be an effective tax cut of $5,059 from

the $22,524 that would be set under present law as well as the Gore plan. The Bush plan cut would be the equivalent of 22.46 percent.

In summary, the Bush plan would lead to a sizable cut in the federal income taxes paid by the average middle-income household in the country at large. However, the tax reduction would be much less for the average African American taxpayer. This is due principally to the fact that blacks are concentrated much more heavily in the lower segment of the income distribution. Moreover, Bush's tax cut flows directly—and proportionately—to those who pay income taxes. Since blacks pay a smaller share of such taxes, they would receive a smaller share of the tax cuts.

Evaluation of Gore's Tax Reductions

The Gore tax plan consists of roughly 30 specific tax credits, many of which are interrelated. They are summarized in Chart III. One of the most important of these (the existing Earned Income Tax Credit (EITC) for lower income workers) would be expanded significantly. There would be an increase in the child-care credit from $960 to $2,400, and an additional credit for after-school expenditures for children 13 through 16 years of age. There would also be a $3,000 credit for families who take care of ill or disabled relatives as well as a tax credit to help people who have no employer-paid insurance. The Gore plan puts special emphasis on the inclusion of a tax credit of up to $2,800 to cover part of the cost of college tuition.

In Chart III, the principal tax credits included in Gore's plan are classified in six groups, along with an estimate of the amounts of the surplus that would be required to implement them. The gross tax cut would amount to $575.2 billion, which would be partially offset by $95.6 billion of revenue from closing corporate loopholes. Therefore, the net tax cut would approximate $479.6 billion

1. Support for Education

Expanding access to higher education is one of Gore's highest priorities. This is reflected in his proposal to spend $36.0 billion to implement the College Opportunity tax cut. The latter would provide families with a choice of a 28 percent tax credit or a tax deduction of up to $10,000 of tuition, helping to pay for college, graduate work, or training courses. African Americans can be expected to benefit substantially from this set of programs because of the recent increases in college enrollment, the rising percent of African American household income devoted to education in recent years, and the importance that credits for computer purchases may have in closing the digital divide.

2. Health Insurance and Long-Term Care

Families without employer-provided health insurance would be eligible for a 25 percent refundable tax credit to help pay for such insurance. Roughly $48.0 billion would be made available for this purpose. A long-term credit would provide $3,000 for families caring for a relative with long-term care needs. Provision for this tax credit may require $26.6 billion. Blacks would be major beneficiaries, since they constitute close to a fifth of the total uninsured population in the country. Blacks may account for about the same proportion of all those receiving long-term care.

3. Marriage Penalty

Millions of married couples filing joint tax returns pay more than they would if they filed separately. To eliminate this burden, Gore's plan would set the standard deduction for married filers at twice the standard deduction for singles. Because of the high percentage of single-parent families in the black community, as a group they might benefit less than proportionately from the marriage penalty tax credit.

4. Childcare Tax Credits

The record shows that millions of parents want to work to help support their families but cannot do so because of the need to look after children or because they cannot afford the cost of childcare. The existing Child and Dependent Care Tax Credit has a ceiling of 30 percent of expenses, and it frequently covers a lower proportion. Moreover, a couple with two children making $25,000 per year receives no assistance from the current credit because it is not refundable. The Gore plan would make the Child Care Tax Credit much more generous (by setting the limit up to 50 percent of expenses) and also make it refundable. A tax credit would also be provided for stay-at-home parents with small children. Black families would benefit greatly from these provisions.

5. Earned Income Tax Credit

The Gore plan would improve the benefits of the Earned Income Tax Credit (EITC). The credit would

be increased for some single parents as well as for families. Under current law, the credit is set at $453 for a single parent with two or three children. Gore would raise it to $780 for the parent with two children and to $1,265 for the one with three children. The change would also lower the highest phase-out rates and thus encourage more families to save. Blacks are principal beneficiaries of the current EITC. The increased allowance would provide additional encouragement for parents to work.

6. Increasing Savings

To help reverse the long-term downward trend in the nation's savings rate, Gore would create a new mechanism through which individuals and families would save more for themselves. The plan calls for the establishment of private "Retirement Savings Plus Accounts" (RSPAs). The proposal is estimated to cost $200 billion over 10 years. The way in which the accounts would work is illustrated by the following charts:

		Individual Contribution	Tax Credit Match	Total Account	Nest Egg
Couples making	$25,000	$500	$1,500	$2,000	$202,000
Couples making	$50,000	$1,000	$1,000	$2,000	$202,000
Couples making	$75,000	$1,500	$500	$2,000	$202,000

Thus, if a low-income family earning $25,000 contributes $500, the federal government would provide a tax credit of $1,500—a three-to-one match. For a couple earning $50,000 and contributing $1,000, the tax credit match is one-to-one, while at $75,000 the match rate is one-for-three. If $2,000 per year were invested in the account over a period of 35 years, the value would grow to $202,000 (adjusted for inflation). (The assumed real rate of return is 5.3 percent—net of administrative costs.) This sum is roughly six times the amount of current median assets (about $35,000) held at retirement.

Given the amount of tax credit allocated to support the RSPAs, Gore is clearly expecting a substantial degree of participation by eligible taxpayers. Although the evidence is mixed, it appears that blacks have less of an inclination to save than either whites or the population at large. Blacks' response to the incentives offered by Gore's tax credits may not be especially strong unless it serves to boost a recent trend toward investing in mutual funds and other financial assets.

In conclusion, the tax cuts proposed by Gore (mainly in the form of tax credits) are focused on clearly defined categories of taxpayers—with the emphasis on low-income groups. African Americans would gain some benefits from the tax cuts provided under Bush's plan. However, their share would be less than the percentage of total federal income taxes paid by them. Blacks are concentrated more heavily in the lower income brackets, while a disproportionate share of the tax reduction would accrue to those at the top of the income scale.

Overall Economic Growth

The economic plans proposed by Al Gore and George W. Bush would have measurably different effects on the nation's economy, with consequences for African Americans that would vary noticeably. The principal source of the variance arises from the way the two men would treat the federal government's outstanding debt. Gore would use a large part of the budget surplus to pay off the debt. With the federal government borrowing less and less over the next decade, interest rates in money and capital markets would be lower under the Gore plan than under the tax cut approach favored by Bush. Lower interest rates would stimulate investment in housing and capital equipment—especially in computers and other new technologies. In response, the growth rate of the national economy would quicken, and job opportunities would expand more briskly. Blacks would probably fill a larger fraction of the new positions, and their money incomes would rise accordingly.

Paying Off the National Debt

Gore has set an ambitious goal: the entire $3.4 trillion of U.S. government debt held by the public in 2000 would be paid off by 2012. A decade from now (in 2010) outstanding debt would be down to $500 billion. In contrast, under Bush's approach, the debt would amount to $2.8 trillion in both years.

As the publicly held debt is paid off under the Gore plan, there would be an increased savings flow to the private money and capital markets. As a result,

interest rates would be expected to decrease compared to the level that would otherwise prevail.

The way the American economy might perform through 2010 in the absence of the Gore and Bush economic programs was sketched in the Congressional Budget Office's (CBO) projection of the U.S. economy through 2010. The CBO suggested that interest rates (represented by the yield on the 10-year U.S. Treasury Note) may average about 5.6 percent between 2000 and 2010. Gross national product corrected for inflation (real GDP) is expected to expand at an average annual rate in the range of 2.5-3.0 percent, after 2001, compared with the 4.0-4.5 percent recorded during 1997-2000. The unemployment rate may average 4.6 percent over the next decade as opposed to the 4.0 percent experienced during the last few years.

The pattern of economic performance forecast by CBO would be changed somewhat if the Gore debt reduction and lower interest rate programs go into effect. The initial impact would be on long-term interest rates—which may average 5.0 percent, a level more than 1/2 percentage point below the 5.6 percent projected by CBO. In response to the decrease in U.S. Government bond yields, other interest rates would also decline. The lower interest rates and the increased availability of capital would stimulate investment throughout the economy. In response, overall economic activity would be boosted appreciably. Consequently, I have estimated that real GDP might rise at an average annual rate of 3.5 percent under the Gore plan. This rate would be 0.5 percentage points above that assumed in the CBO projection, which is also the growth rate implied by the Bush plan.

Impact on African Americans

The stronger economy that would emerge under the Gore plan would have a noticeably beneficial effect on blacks. This relative improvement is illustrated by the changes expected in the labor market. The strong Gore economy would bring roughly 3.1 million more persons into the civilian labor force. Blacks would constitute just under 1.0 million of the total increase. Therefore, blacks would account for 30.5 percent of total labor force expansion over the next decade. For comparison, in 2000, blacks make up 11.8 percent of the civilian labor force.

Paralleling these improvements, the overall unemployment rate in 2010 might be 4.0 percent under the Gore plan, compared with 4.2 percent under the Bush approach. For whites, the corresponding jobless rates might be 3.4 percent and 3.6 percent, respectively. In contrast, the difference in the unemployment rates among blacks would be much more striking. Under the Gore plan, the black jobless rate might be 7.5 percent, compared with 8.2 percent under the Bush approach. (Chart IV)

In summary, the nation's economy under the Gore plan would generate a much greater number of jobs, and blacks would get a larger share of the new positions. Blacks' share of all jobs would still fall short compared with their share of the total labor force. However, it would have narrowed somewhat from today's margin of .58 percentage point.

Targeted Employment Programs

Evidence from the current economic expansion demonstrates the impact of a strong economy on African American economic well-being. Employment has risen and poverty rates for African Americans are at record lows. Nevertheless, a significant proportion of the black workforce earns low wages because of market conditions and their own lack of training. While the Bush program relies primarily on general economic strength to improve the well-being of individuals and families, Gore proposes both a minimum wage increase and training incentives to address these needs.

The Democratic platform proposes a raise in the $5.15 minimum wage by $1. African Americans are twice as likely as other full-time, year-round workers to be earning less than $6 per hour. Analysis of the current workforce suggests that a one-dollar increase in the minimum wage will likely increase the earnings of from one-in-five to one-in-four low-paid black men and women.

To escape the low-income trap, which still holds far too many African Americans in service industry jobs, people must obtain training and education. Forty-five percent of new jobs will be provided by two occupational groupings on opposite ends of the educational and earnings spectrum: professional specialty occupations (5.3 million) and service workers (3.9 million). Both candidates have made education one of their central themes. The Gore-Lieberman plan provides employers with a tax credit of up to $6,000 per employee to encourage investment in accredited worker-related training in information technology and other technology skills. How much is this tax credit likely to benefit anyone and, if

so, what would be African Americans' share?

The Bureau of Labor Statistics' latest survey on employer-provided training (1995) provides some information on training received by different groups of workers. In terms of formal training, clearly the target of the tax credit, African Americans actually received more hours of training than others: 13.8 per employee versus 13.6 (whites) and 11.0 (Hispanics). The members of the three groups were also just as likely to have received formal training: 70.64 percent of blacks, 70.4 percent of whites, and 73.7 percent of Hispanics. However, the more formal the training (e.g. classes conducted by outside personnel, courses taken at educational institutions and paid for by the company, or seminars attended on company time), the less likely both blacks and Hispanics were to receive training than whites.

Thus, while blacks were slightly more likely to receive formal instruction from company personnel, whites were twice as likely to attend courses paid for by the employer. These discrepancies are probably largely explained by the fact that formal training is heavily skewed toward more educated employees. In any case, while this information is not enough to quantify benefits from the training tax credit, we can conclude that better educated black employees are likely to gain a share of any training that the tax credit induces employers to provide workers. Nevertheless, those most in need of training to move into better paying jobs are unlikely to get that training through this new program. This underscores the fact that the under-education of African Americans remains their most pressing problem.

Social Security

African Americans depend on Social Security for a large share of their retirement earnings. Nearly 50 percent of all income received by African Americans over the age of 65 comes from Social Security. For 40 percent of African Americans aged 65 and older, it is the only source of retirement income.

Although the Old Age, Survivors and Disability Insurance Program (Social Security's formal name) is race-neutral, it has several features that particularly benefit African Americans. First, Social Security benefits are progressive. The benefits received represent a greater proportion of income for low-wage workers than for high-wage workers. Hence, the program has an equalizing effect on the incomes of older Americans. Second, the program provides a guaranteed benefit with an annual cost-of-living adjustment. This safety net has contributed to the reduction of poverty rates among the elderly.

Third, Social Security is more than a source of retirement income. It also provides disability and survivor benefits. African Americans, who represent 12 percent of the general population, accounted for 23 percent of all children receiving Social Security survivor benefits and 18 percent of workers receiving disability insurance benefits in 1999.

The Social Security System does have some drawbacks. Under current rules, an individual is eligible for full benefits at age 65. Life expectancy for African American men is 66.1 years. Hence, African American men will collect benefits for a shorter time, on average, than other groups.

A major issue for the next president will be maintaining the solvency of the Social Security System while guaranteeing income security for America's retired and disabled workers. Historically, Social Security has been a "pay-as-you-go" system. In the past, this system has worked because of the high ratio of workers to beneficiaries. However, as the population ages, the ratio of workers to beneficiaries falls. In 1950, the ratio of workers to beneficiaries was 16 to 1. At present, the ratio is 3.4 workers per beneficiary and, by the year 2045, the ratio is expected to fall to two workers per beneficiary.

Gore's program maintains the current structure of the Social Security system, including a defined benefit, a progressive benefit formula, and pay-as-you-go financing. Gore's proposal has three components: (1) benefit increases for surviving spouses and stay-at-home parents, (2) creation of Retirement Savings Plus Accounts to supplement retirement income and (3) the use of interest savings realized from retirement of government debt to extend the life of the Social Security Trust Fund. Gore proposes not to decrease benefits (as many argue is necessary) but to increase benefits for two groups' surviving spouses and parents. African Americans disproportionately fall within the groups likely to benefit from Gore's proposal for surviving spouses. Although married African American women with children have been, in the past, a large part of the labor force, many work part-time. Many African American women are single family heads. These patterns of family structure, combined with low average earnings, suggest that this proposal would increase the retirement incomes of African American women.

To supplement the income of retirees, Gore proposes a new program: Retirement Savings Plus accounts. Under the Retirement Savings Plus plan,

workers make voluntary contributions to a retirement account, much like traditional IRAs and 401(k)s.

The progressivity of the tax credit suggests that African Americans might benefit disproportionately. However, the program requires a self-contribution of at least $500 to qualify for the credit. Historically, African Americans have lower rates of participation in voluntary individual savings accounts like 401Ks and IRAs than other racial and ethnic groups. The availability of a tax credit might not overcome these obstacles.

While Gore plans to use a Band-Aid to fix Social Security, Bush proposes major surgery. His proposal would create private retirement accounts to augment the Social Security system. Bush's plan allows young workers ("young" has not yet been defined) to divert two percentage points of their FICA obligations to personal retirement accounts. (In his speech announcing this program, Bush did not give a specific number, but two percentage points have been used in other campaign material.) The contribution is voluntary. Workers can remain full participants in the traditionally defined benefit Social Security program if they choose. Whether or not individual workers would earn higher retirement incomes with this plan than with Social Security depends on the success of their investments.

The defined benefit program would continue to provide retirement income to workers who choose not to participate in the private accounts and would offer a safety net for workers who do. (The proposal is not explicit about how the Social Security benefit formula might change under this program.) However, the diversion of payroll taxes to private retirement accounts reduces the money available to pay current benefits. Bush has earmarked the $2.3 trillion Social Security surplus to make up this revenue loss.

As noted earlier, because of a lower life expectancy, African Americans tend to collect social security benefits for a shorter period than other groups. Privatization offers the opportunity to recapture some of the "lost" investment as a wealth transfer to the next generation. Furthermore, assuming the private retirement accounts earn returns that match the historical record of the U.S. stock market, the average worker could realize a higher retirement income than currently available under Social Security.

However, private retirement accounts have a number of features that are disadvantageous to African Americans. Under certain scenarios, the incomes of low-wage African American workers are likely to decrease more under Bush's scheme than they would under the current Social Security system.

Another concern with private retirement accounts is the fate of disability insurance. Bush promises to maintain the system as is. However, to do so will require an infusion of capital.

For African Americans as a group, Gore's program is the safer alternative. It leaves the Social Security program intact and potentially offers some marginal increases in retirement income for black women. Bush's proposal is a riskier choice. There is the alluring promise of higher retirement income and of wealth creation; however, it is unclear how much of the safety net will remain. Bush's proposal is also silent about the level of guaranteed benefits after the transition to the new program.

Healthcare

Despite almost a decade of robust economic growth, a smaller percentage of Americans enjoy health insurance coverage today than in 1987. And by some important health indicators, such as the incidences of asthma, diabetes, major infectious diseases, and several forms of cancer, the racial disparity in healthcare has widened. Healthcare and Medicare are two central themes of the presidential campaign, and the outcome of this election will significantly impact the lives of all Americans, but especially blacks.

National surveys reaffirm what we suspect about the likelihood of being without health coverage. This likelihood increases for individuals who do not work. For example, in 1999, 26.5 percent of individuals who did not work a full year were without health coverage, as opposed to 17.4 percent of individuals who did work. The likelihood of being uncovered decreases as household income rises: 8.3 percent of households with more than $75,000 in annual income are uncovered, while 24.1 percent of households with $25,000 or less in income are uncovered.

Only 1.3 percent of individuals over 65 are uncovered, as opposed to 33.4 percent of those under 18. Among ethnic groups, Hispanics have the largest percent of uncovered people (32.4 percent), while blacks have the second largest percent (20.2 percent). Only 11.0 percent of whites are uncovered.

The black-white gap in private insurance coverage has decreased over time. This decrease is primarily driven by the enhanced employment status of

blacks during the current economic expansion. Specifically, employment-based coverage for blacks increased from 44.4 percent in 1987 to 51.7 percent in 1999. During the same period, white coverage was unchanged at 64.9 percent.

Among whites, government health insurance coverage increased from 21.6 percent in 1987 to 23.2 percent in 1999, while black coverage decreased from 35.3 percent to 31.4 percent. A similar trend is evident with respect to coverage under Medicaid. However, Medicare coverage increased for blacks and whites over the same period.

The proposals put forth by the two candidates to provide health insurance coverage to those outside of the private and public insurance systems are discussed above. In addition to general health coverage, another major area of concern is the cost of prescription drugs. Growth in prescription drug spending has occurred recently due to record-setting new drug introductions from 1994 to 1996 (revised Food and Drug Administration procedures accelerated the approval process for new drug candidates) and due to the drop in out-of-pocket costs to consumers, which resulted from the shift to managed care. Prescription drug spending is expected to increase 11.2 percent between 2001 and 2007. About $25 billion was spent on prescription drugs by Medicare beneficiaries in 1996, with an average total of $675 per person.

Gore proposes a Medicare prescription drug benefit at a cost estimated at $253 billion through 2010. He would also cap senior prescription costs at $4,000 per year and give seniors 50 percent of the prescription drug benefit cost covered, up to $5,000 annually. A new catastrophic prescription drug benefit would be in effect after beneficiaries have paid $4,000 out-of-pocket. Half of seniors' drug bills would be covered, with the government paying up to $1,000 per person in 2002 and up to $2,500 in 2008.

Bush would offer $48 billion to states over four years to help low-income seniors pay for drugs. Those programs would pay the full cost of drugs for seniors earning less than $11,300 and subsidize those earning less than $14,600. The state programs would cover drug costs in excess of $6,000 annually for all seniors, regardless of income.

It is impossible to place a dollar value on the proposals of the two candidates because it is unclear whether items that are given an explicit price tag also include other items that are not priced. In general, the Gore campaign has a larger commitment to healthcare and Medicare with a pledge to cover 90 percent of adults and 100 percent of children by the year 2010. Additionally, out-of-pocket expenditures on prescription drugs are capped at $4,000, more attention is given to funding research in areas beneficial to blacks, and emphasis is placed on privacy.

By contrast, Bush's total dollar commitment to healthcare and Medicare is much smaller than Gore's. For example, Bush would allocate $110 billion to overhaul Medicare, while Gore would spend $360 billion to strengthen Medicare. Bush would cap seniors' out-of-pocket costs on prescription drugs at $6,000, but he would also offer seniors more choice. Bush would regulate and review the operations of HMOs and provide medical savings accounts and health insurance tax credits.

Education

The most significant difference between the Bush and Gore plans is Bush's proposal to institute a federal voucher program. As structured in his current set of proposals, the federal program would focus on Title I (low income) students. In this plan, states would be given three years to improve "low-performing" Title I schools. If the schools did not make significant headway in closing achievement gaps, parents would be given the option of transferring their child to another public school or receiving an amount equivalent to the pro-rata share of Title I funds and an equal amount of state or local funds to enroll their child in a private school. The average value of this "voucher" is estimated to be $1,500.

Many other proposals in the Bush education plan build on approaches that he used in Texas. As he did in that state, Bush focuses on improving basic reading and math literacy at the elementary level and strengthening programs in math and science at the secondary level. Some attention is also paid to school construction.

Several other programs are directed at supplementing school improvement with after-school and preschool initiatives. He also plans to move the Head Start program from the Department of Health and Human Services to the Department of Education as a way of emphasizing its role as an education rather than a social program. At the college level, Bush proposes to increase grant monies and tax credits for students and their parents and provide incentives for college students to enter teaching.

Gore's education plan will continue or expand

programs that have been funded under the Clinton administration. Like Bush, he embraces parental choice, but only within the public school system. At the elementary and secondary level, Gore will provide higher quality learning by improving teacher quality, reducing class size, modernizing school facilities, and increasing access to after-school programs. His funding includes an Education Reform Trust Fund with $115 billion.

For preschool and after-school, Gore proposes new funds for Head Start, establishing 21st Century Learning Centers in schools and community-based organizations (total of $50 billion for universal access to preschool), and implementing a refundable tax credit for after-school costs for children under age 16 for families with incomes under $25,000. Gore proposes several programs to improve teacher quality.

The Gore and Bush education programs are quite similar, varying primarily in magnitude and emphasis. Of the programs not included in the tax analysis that we have costed out, the Gore program for universal preschool access dominates the costing at $50 billion. Excluding that figure, the costed kindergarten- through-college programs would provide an estimated benefit of $2.5 billion to $4.6 billion from the Bush proposals and $4.0 to $7.5 billion from the Gore proposals. The programs not costed include three Bush programs that would seem to offer disproportionate, but possibly limited, benefits to African Americans (vouchers and Pell grants) and three Gore programs that would seem to offer disproportionate benefits to that group (incentive pay for restructured schools and college aid for teachers).

Overall, the Gore and Bush programs are very similar, in contrast to other areas of public policy. This similarity may result from the limits of federal policy in education rather than from the candidates' philosophies of government.

Chart I:

Gore vs. Bush: Proposed Uses of the Projected Federal Budget Surplus and Impact on African-Americans (Amounts in Billions of Dollars)

THE GORE PLAN	TOTAL		THE BUSH PLAN	TOTAL	
	Amount	Percent Dist.		Amount	Percent Dist.
Social Security and debt reduction "lock box"	2.388	51.3	Social Security "lock box"	2,388	50.2
Targeted tax cuts	480	10.3	Tax Cut	1,317	27.7
Interest	253	5.4	Interest	313	6.6
Medicare and debt reduction "lock box"	360	7.7	——	—	—
Medicare prescription drug benefit	340	7.3	Medicare prescription drug and reform	158	3.3
Medicare solvency interest Saving Transfers (debt reduction)	74	1.6	Additional Medicare	40	0.8
Health care	120	2.6	Health care	132	3.8
Education	115	2.5	Education	48	1.0
Environment	120	2.6	Environment	5	0.1
National security	100	2.2	Military	45	0.9
—	—	—	Charity	24	0.5
—	—	—	Agriculture	8	0.2
—	—	—	Housing	7	0.2
—	—	—	Other domestic	8	0.2
Surplus reserve fund	300	6.5	Remaining surplus	265	5.6
Total	4.651	100.0	Total	4.758	100.0

Source: Prepared by Brimmer & Company, Inc. Data from U.S. Department of Commerce, U.S. Bureau of the Census.

Chart II:
Households, Aggregate Money Income, and Payment of Federal Income Taxes, Total and Blacks, 1998 (Number in Thousands. Income and Taxes in Millions of Dollars)

Fifths of House-Holds	Money Income Range	ALL HOUSEHOLD			AGGREGATE MONEY INCOME			HOUSEHOLDS PAYING FEDERAL INCOME TAXES		
			BLACK			BLACK			BLACK	
		Total Number	Number	Percent	Total Amount	Amount	Percent	Total Number	Number	Percent
I	Under $5,000-19,000	26,114	5,169	19.79	238,408	40,419	16.95	4,598	842	18.31
II	20,000 – 34,900	20,969	2,743	13.08	559,436	72,212	12.91	14,041	1,857	13.22
III	35,000 – 49,999	16,660	1,795	10.77	697,339	74,248	10.64	15,787	1,691	10.71
IV	50,000 – 74,999	19,272	1,658	8.6	1,174,621	99,768	8.49	19,096	1,650	8.59
V	75,000 and over	20,859	1,215	5.82	2,655,666	131,100	4.49	202,832	1,212	5.82
	75,000 – 99,999	9,933	708	7.13	852,821	60,914	7.14	9,911	705	7.11
	100,000 and over	10,926	507	4.64	1,800,845	70,186	3.89	10,921	507	4.64
	Total	103,874	12,579	12.13	5,325,469	417,746	7.84	74,354	7,243	9.74

Source: Prepared by Brimmer & Company, Inc. Data from U.S. Department of Commerce, U.S. Bureau of the Census.

▶ **Chart III:**
Gore's Targeted Tax Cuts

(Billions of Dollars)

	2001–10
INVESTING IN EDUCATION AND LEARNING	
College Opportunity Tax Cut	36.0
401 (j) Education and Training Accounts	3.0
National Tuition Savings Accounts	2.0
Training Tax Credit	0.6
School Construction Tax Credit	8.0
After School Tax Credit	5.3
Subtotal, Investing in Education and Learning	**54.9**
IMPROVING AND EXPANDING QUALITY HEALTHCARE	
Tax Credit for Health Insurance	48.0
Small Business Health Insurance	0.3
Long-term Care Credit	26.6
Disability and Work Tax Credit	1.7
Subtotal, Improving and Expanding Quality Healthcare	**76.6**
REWARDING FAMILY, REDUCING POVERTY, AND EMPOWERING COMMUNITIES	
Eliminate the Marriage Penalty for Millions of Working Families	66.2
Expand Child and Dependent Care Tax Credit	31.0
Expand the Earned Income Tax Credit	29.0
Increase the Low-Income Housing Tax Credit	5.7
Expand and Improve Housing Tax Credit	4.4
New Markets	5.1
Close the Digital Divide	2.1
Technology Bonds	0.6
Subtotal, Family, Poverty, and Communities	**144.1**
CLEANING UP THE ENVIRONMENT AND ENHANCING ENERGY SECURITY	
Conservation Tax Incentives	2.0
Better American Bonds	3.1
Permanently Extend Brownfields Tax Credit	1.1
Encouraging Energy Efficient Homes, Buildings, Autos and Other	45.1
Subtotal, Environment and Energy Security	**51.3**
MAKING RETIREMENT MORE SECURE BY ENCOURAGING SAVINGS	
Retirement Savings Plus	200.0
Tax Credit for Small Business Startup Pension Expenses	1.3
Simplify, Increase Portability of Pensions, Including 415	1.1
Subtotal, Retirement Savings	**202.4**

cont'd....

Chart III continued

ENCOURAGING THE DEVELOPMENT OF NEW TECHNOLOGIES AND OTHER	
Permanent R&E Tax Credit	23.8
Reduce the Estate Tax for Small Businesses and Family Farms	11.0
Democracy Endowmen	2.1
Additional Unallocated Tax Cuts	9.0
Subtotal, Technology and Other	**45.9**
GROSS TAX CUT	**575.2**
Close Corporate Shelters and Unwarranted Loopholes	**95.6**
NEW TAX CUT	**479.6**

Source: Gore Presidential Campaign

Chart IV:

Labor Market Differences: Gore v. Bush 2010 (Numbers in Thousands)

	Total		White		Black		Other Race	
Category	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Civilian Labor Force								
Gore	159,087	100	129,592	81.46	19,886	12.50	9,609	6.04
Bush	155,972	100	128,677	82.50	18,935	12.14	8,360	5.36
Difference	3,115	100	915	29.37	951	30.53	1,249	40.10
Employment								
Gore	152,724	100	125,157	81.95	18,385	12.04	9,172	6.01
Bush	149,492	100	124,075	83.00	17,383	11.63	7,938	5.31
Difference	3,232	100	1,082	32.32	1,002	31.00	1,234	38.18
Unemployment								
Gore	6,363		4,440	69.78	1,481	23.28	432	6.79
Bush	6,580		4,622	70.24	1,552	23.59	426	6.47
Difference	217		182	83.87	71	32.72	6	2.76
Unemployment Rate								
Gore		4.0		3.4		7.5		4.5
Bush		4.2		3.6		8.2		5.1

Source: Prepared by Brimmer & Company, Inc.

Background papers for "Politics, Promises, and Economic Prospects for African Americans Over The Next Decade."

"Medicare, Healthcare, and the Gore and Bush Campaigns," by Thomas D. Boston, Professor of Economics, Georgia Institute of Technology

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"The Bush and Gore Social Security Proposals: Implications for African Americans," by Cecilia A. Conrad, Associate Professor in Economics, Pomona College

"Employment and Income: Background to Campaign 2000," by Gerald D. Jaynes, Professor of Economics, Yale University

"The Bush/Gore Education Proposals: Implications for African Americans," by Margaret C. Simms, Vice President, for Research, Joint Center for Political and Economic Studies

All five background papers are available on-line (full text) at the Joint Center website, www.jointcenter.org

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